

## 18 GUIDE TO INVESTMENT AND FINANCE

But since on the redemption or repayment of the stock a loss of the £5 will ensue in respect of each £100 so discharged, a sinking-fund for protection against that event must be included in the consideration; and in the present instance the annual fund requisite is 3s.  $\$d.$ ; hence the net return is M less 3s. 9 $\frac{1}{2}$ , or £3 16s. 3d. per cent, which gives a net annual income of about £3 12s. Qd. per cent, or 12s. Qd. per annum above the deposit-rate, instead of 16s. 25. Where time can be summoned into service before deciding upon a purchase (or sale)—and the importance of the question of time on all occasions of investing and disposing, that is, the power and convenience of waiting for favourable change<sup>11</sup>, cannot be over-computed—the golden rule is this—

Buy before a rise in value ; sell before a fall. This aphorism is worthy of a detailed attention, and may also be enunciated in the equivalent form: Act in the contrary way to that in which investors generally are acting at the time; that is to say, never buy when many are buying, but sell; refrain from selling when many are selling, but buy. Or we may thus phrase it: When people are decrying a security, buy, as a rule ; when they are generally exalting it, as a rule sell. The dictum, of course, implies the permanent existence of foolish people and sagacious people, since if all investors adopted the maxim it would necessarily cease to possess a meaning, though, even then, sagacity would become, like a thermometer, marked by degrees. But any speculation upon the possibility of a general state of wisdom can evidently wait. There is a contagion of hopefulness as well as one of depression ; times when we fail to see things as they really are, but as they are shaped and modified by our fancies, fears and hopes; tinder the distorting influence of desires or aversions we form mental pictures which fail to portray the originals, for the "pathetic fallacy" of Buskin is universal, and this abnormal condition of mind, like some physical ailment, is, as the phrase goes, wonderfully "catching."<sup>11</sup> When a lead is set, probably from no valid cause, in the direction of favour or disfavour of «omo

particular investment, multitudes will irrationally follow to secure a portion of the fancied benefit, or escape the imagined loss, and thus aid in augmenting or depressing the value